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ARIZONA CORPORATION COMMISSION

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January 12, 2006

Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Kristin K. Mayes

Re: Environmental Portfolio Standard (EPS) Rules (Docket No. RE-00000C-05-0030)

Dear Colleagues:

During a two-day Special Open Meeting last August, the Commission voted on various aspects of the draft EPS rules dated April 22, 2005, as well as a number of proposals offered at the meeting. These votes supported some provisions as proposed, modified some, and rejected others. In response, Staff revised the draft rules to produce the most recent version, which is dated November 22, 2005.

A comparison among the April draft, the minutes of the August meeting, and the November draft will show that the November draft differs substantively from the April draft as amended by the Commission's action in August. Conservatively tallied, for example, the November draft includes at least 10 provisions which are new. One of these additions, a two-year review of the affected utility's EPS tariff, is somewhat surprising considering that a proposal to add a five-year review failed in the August meeting by a vote of 1 aye, 3 nays, and 1 absent.

The November draft also contains eight provisions that were either in the April draft or approved in the August meeting, but which have since been substantively modified. For example, the Commission voted for the monthly caps proposed in the April draft, but in so doing, directed Staff to reconsider the cap for small businesses. In the November draft, however, the monthly caps for *all* customer classes have been lowered.

Finally, the November draft omits five significant provisions that were either in the April draft or adopted after being offered in the August meeting. One of these was the requirement that in-state and out-of-state kWh used to meet the EPS be actual renewably generated power delivered to customers.

A clear understanding of the rationale underlying these and other additions, modifications and omissions would seem an essential prerequisite to informed

deliberation on the rule package when it comes before us for a vote to start the rule making process with the Secretary of State. However, I have not been informed of the impetus for these changes, and therefore request that we hold an interim meeting to discuss the November draft, as well as the spreadsheet of projected EPS revenues that was docketed by Staff on December 30, 2005.

An interim meeting would not only allow Commissioners to openly engage Staff on outstanding questions about the November draft and the spreadsheet, but it would also serve as a venue in which the genesis of the rules in their current form may be fully explicated in the public view. Considering the extensive public comments the Commission has taken thus far, however, it is appropriate at this juncture that the meeting not invite further public comment. I make this suggestion in the interest of focusing on the questions raised by the November draft and recognizing that the official rule making process will entail further opportunity for stakeholders to continue their participation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mike".

Mike Gleason
Commissioner

c: Brian C. McNeil, Executive Director